

Interfund Transfers

Section 165.011, RSMo, and administrative interpretations define several interfund transfers that a school district may make. These transfers are nonrecurring transfers made in compliance with special statutes or are residual equity transfers. The title of each transfer reflects the ASBR terminology used in Part I-A, Transfer Funds Detail. Below is a listing of interfund transfers:

	Transfer Type	Transfer From	Transfer To
001	Textbook Fund Balance	General (Incidental) Fund	Special Revenue (Teachers) Fund
002	“Zero” Teachers Fund Balance	General (Incidental) Fund	Special Revenue (Teachers) Fund
003	Debt Service Balance	Debt Service Fund	Capital Projects Fund
004	Transportation Calc Cost	General (Incidental) Fund	Capital Projects Fund
005	Area Vocational - Technical Schools	General (Incidental) Fund	Capital Projects Fund
006	Grant Match	General (Incidental) Fund	Capital Projects Fund
007	Energy Conservation Loans	General (Incidental) Fund	Capital Projects Fund
008	Food Services	General (Incidental) Fund	Capital Projects Fund
009	Student Activities	General (Incidental) Fund	Capital Projects Fund
010	GTB/Line 1	General (Incidental) Fund	Capital Projects Fund
011	Capital Projects Fund Interest	Capital Projects Fund	General (Incidental) Fund
012	Unspent Bond Proceeds	Capital Projects Fund	Debt Service Fund
013	Safety and Security	General (Incidental) Fund	Capital Projects Fund

Sample General Ledger Entry

The General Journal entries for the transfers are outlined below:

<u>Date</u>	<u>"Transfer From" Fund</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
6/30/xx	Fund Balance	3110	\$5,000	
	Cash in Banks	1111		\$5,000

<u>Date</u>	<u>"Transfer To" Fund</u>	<u>A/C No.</u>	<u>Debit</u>	<u>Credit</u>
6/30/xx	Cash in Banks	1111	\$5,000	
	Fund Balance	3110		\$5,000

An explanation of each of the transfers listed on the previous page is given below:

Textbook Fund Balance Transfer (001) - This transfer allows a district to transfer unspent Free Textbook money from the General (Incidental) Fund to the Special Revenue (Teachers) Fund. This amount is calculated by subtracting the Free Textbook Expenditure account 6421 from the Free Textbook Revenue account 5351.

Example: Free Textbook Revenue account 5351 contained \$8,453
 Free Textbook Expenditure account 6421 contained \$5,827
 $\$8,453 - \$5,827 = \$2,626$ (amount of transfer)

"Zero" Teachers Fund Balance Transfer (002) - This transfer allows a district to transfer revenue, on a regular basis (monthly, quarterly, etc.), from the General (Incidental) Fund to the Special Revenue (Teachers) Fund to cover checks being written against the fund. Section 165.021.4, RSMo, states, "No check shall be drawn ... unless there is sufficient money in the treasury and in the proper fund for the payment of the indebtedness."

Debt Service Balance Transfer (003) - This transfer allows a district to transfer to the Capital Projects Fund any balance remaining in the Debt Service Fund after the total outstanding bonded indebtedness has been paid. If the district elects not to make this transfer, the balance would be left in the Debt Service Fund for subsequent debt service requirements.

Transportation Calculated Cost Transfer (004) - This transfer allows a district to transfer from the General (Incidental) Fund to the Capital Projects Fund an amount based on prior year allowable transportation capital outlay expenditures. This amount is calculated by DESE and is indicated monthly on the Calculation of State Transportation Aid Report (BU110). The transferred amount may be used for any capital outlay expense, or it may be used to build a balance in the Capital Projects Fund.

Area Vocational- Technical Schools Transfer (005) - This transfer allows a district to transfer from the General (Incidental) Fund to the Capital Projects Fund amounts necessary to satisfy obligations of the Capital Projects Fund for state approved area vocational schools located within that school district.

Grant Match Transfer (006) - This transfer allows a district to transfer from the General (Incidental) Fund to the Capital Projects Fund amounts equal to the local match percentage requirement for that portion of any grant revenue expended for capital outlay (equipment).

The amount of allowable transfer for local match is based on the “grantor” specified local match percentage requirement and may be an amount substantially less than the actual amount the district adds to a project in “local dollars”. There are, in effect, **two local match amounts**:

- The first type of local match relates to the “grantor” specified percentage that is used to calculate the allowable transfer to the Capital Projects Fund (based on 10%, 20%, 30%...or as much as 100% for some grants).
- The second type of local match is the total additional dollars required from local sources to fully fund a particular capital outlay project. These additional amounts, while being local dollars, are NOT considered local match for the purpose of the Grant Match Transfer.

All grants that have a capital outlay component may be entered on the Grant Match Detail data entry screen (ASBR, Part I, Grant Match Detail). Please remember amounts indicated on the ASBR, Transfer Funds Detail, Line 006, Grant Match Transfer may not exceed the maximum calculated transfer as indicated on Part I, Grant Match Detail.

Energy Conservation Loans Transfer (007) - This transfer allows a district to transfer from the General (Incidental) Fund to the Capital Projects Fund amounts necessary to pay principal and interest on Department of Natural Resources (DNR) loans per Section 640.653, RSMo, and Guaranteed Energy Savings Performance Contracts per Sections 165.011.11 and 8.231, RSMo. Payments must be generated from energy savings in the General (Incidental) Fund.

Food Services Transfer (008) - This transfer allows a district to transfer from the General (Incidental) Fund, food service account, to the Capital Projects Fund amounts necessary to pay for kitchen/food service related equipment. This transfer may only be made from balances **remaining** in the food service account. While equipment expenditures do not require coordination with School Food Services, expenditures for renovations do require coordination with School Food Services.

Student Activities Transfer (009) - This transfer allows a district to transfer from the General (Incidental) Fund, student activity account, to the Capital Projects Fund amounts necessary to pay for designated equipment/capital outlay.

GTB/Line 1 Transfer (010) - This transfer allows a district to transfer from the General (Incidental) Fund to the Capital Projects Fund amounts necessary for capital outlay expenditures and allows the expenditure of monies from the General (Incidental) fund for classroom instructional capital outlay under object code 6542, Equipment - Classroom Instructional Apparatus. School Finance calculates the maximum transfer amount annually. The maximum transfer amount is calculated by determining the greater of:

- The preceding year guaranteed tax base (GTB transfer), or
- 9% of the preceding year’s June 30 Basic Formula Line 1 entitlement (Line 1 transfer)

The full amount of the transfer may be made in each fiscal year if the district was in compliance with the certificated salary requirements per Section 165.016, RSMo, in the preceding year. This certificated salary compliance is “without recourse to a waiver for that year or a base year adjustment received that year or a fund balance exclusion unless the fund balance exclusion had also been used the second preceding year”.

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The full transfer may be used to build a balance in the Capital Projects Fund only if approved by a resolution of the local board of education, which identifies the specific capital projects to be funded by the transferred funds and an estimated expenditure date.

If the district did not comply with certificated salary requirements without using one of the methods indicated above, the GTB/Line 1 transfer may still be made; however, the transfer amount cannot exceed the lesser of the “adjusted” expenditure or the transfer amount (see Section N, Worksheet For Calculation of Allowed GTB/Line 1 Transfer).

A district may transfer the GTB/Line 1 revenue to pay for principal and interest payments on Section 177.088, RSMo, lease purchase obligations entered into prior to January 1, 1997, if those obligations are limited to no more than 20 years, payments limited to non-athletic, classroom instructional facilities, and yearly principal and interest payments do not exceed the GTB/Line 1 transfer authority (see Section L, Lease Purchases).

The GTB/Line 1 revenue transfer cannot be used to pay principal and interest payments on lease purchase obligations entered into after January 1, 1997, (see Section L, Lease Purchases).

The GTB/Line 1 revenue transfer may be used to pay for Section 177.088, RSMo, lease purchases for buses and copiers and for Section 177.082, RSMo, equipment lease purchases.

The maximum amount that can be expended in the General (Incidental) Fund for Classroom Instructional Apparatus expenditures is calculated by determining the greater of:

- 25% of the preceding year’s guaranteed tax base (GTB), or
- 2.25% of the preceding year’s June 30 Basic Formula Line 1 entitlement

The amount expended in the General (Incidental) Fund under object code 6542 for classroom instructional capital outlay will be subtracted from the maximum transfer amount (the greater of the GTB or 9% of the prior year Basic Formula Line 1 entitlement).

Section 165.011.5, RSMo, gives a district the authority to make the GTB/Line 1 transfer if it meets the following requirements:

- set a minimum of 174 days/1,044 hours (522 for kindergarten) (per Section 163.021, RSMo)
- set tax rates no lower than \$2.75 (with exceptions) (per Section 163.021, RSMo)
- set teachers salaries at a minimum of \$18,000/\$24,000 (Masters + 10) (per Section 163.021, RSMo)
- expend 75% of 1% of Basic Formula apportionment on professional development (per Section 163.021, RSMo)
- receipt certain state revenues by fund based on levy by fund (per Section 163.021, RSMo)
- set tax rates pursuant to Section 164.011, RSMo (per Section 165.011.5, RSMo)

Capital Projects Fund Interest Transfer (011) - This transfer allows a district to transfer from the Capital Projects Fund to the General (Incidental) Fund the interest earned from undesignated balances in the Capital Projects Fund, after it has made all placements of interest otherwise provided by law. Interest earned is initially placed in the fund(s) that provided the principal. If the district chooses, some or all of the interest earned in the Capital Projects Fund on undesignated balances may be transferred to the General (Incidental) Fund. However, interest earned on bond proceeds (or some other restricted balance) cannot be transferred to the General (Incidental) Fund.

Unspent Bond Proceeds Transfer (012) - This transfer requires a district to transfer from the Capital Projects Fund to the Debt Service Fund remaining bond proceeds after completion of the project for which the bonds were issued.

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Safety and Security Transfer (013) - This transfer allows a district to transfer from the General (Incidental) Fund to the Capital Projects Fund an amount equal to capital expenditures for safety and security purposes. Capital outlay expenditures for school safety and security purposes must be coded to function code 2546 - Security Services. A district may not transfer more than was expended in the current year from the Capital Projects Fund for school safety and security purposes recorded in function code 2546.

In relation to transfers, it is essential that the district make an accurate estimate of the new year's expenditures from the Capital Projects Fund. If total expenditures vs. revenues are not realistic, the district may have trouble paying for those budgeted expenditures. *The penalty for an inappropriate transfer is the recovery of those amounts over-transferred from the district's state aid payment in the next school year.*

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